

1994

Alternative Minimum Tax and Credit Limitations – Nonresidents or Part-Year Residents

P (540NR)

Attach this schedule to Form 540NR.

Name(s) as shown on Form 540NR

Your social security number

Part I Adjustments and Preferences

1	If you itemized deductions, go to line 2. If you did not itemize deductions, enter your standard deduction from Form 540NR, line 18, and go to line 6	1		
2	Medical and dental expenses. Enter the smaller of Schedule A (Form 1040), line 4, or 2 ½% of Form 1040, line 32	2		
3	Personal and real property taxes	3		
4	Home mortgage interest not used to buy, build, or improve your home	4		
5	Miscellaneous itemized deductions. Enter the amount from Schedule A (Form 1040), line 26 or Schedule A (Form 1040NR), line 15	5		
6	Refund of personal and real property taxes	6	()
7	Investment interest expense	7		
8	Post-1986 depreciation	8		
9	Adjusted gain or loss	9		
10	Incentive stock options	10		
11	Passive activities	11		
12	Beneficiaries of estates and trusts. Enter the amount from Schedule K-1 (541), line 8	12		
13	Other. Enter the amount, if any, for each item and enter the total on line 13.	<div style="display: flex; justify-content: space-between;"> <div> a Appreciated contributions b Circulation expenditures c Depletion d Depreciation (pre-1987) e Installment sales f Intangible drilling costs </div> <div> g Long-term contracts h Loss limitations i Mining costs j Pollution control facilities k Research and experimental l Tax shelter farm activities m Related adjustments </div> </div>		
		13		
14 Total Adjustments and Preferences. Combine line 1 through line 13		14		

Part II Alternative Minimum Taxable Income

15	Enter taxable income from Form 540NR. See instructions	15		
16	Net operating loss (NOL) deduction from Schedule CA (540NR), line 21 (b) (d) and (e), column B. Enter as a positive amount	16		
17	If you itemize deductions, enter the amount, if any, from line 9 of the worksheet for Schedule CA (540NR), line 38	17	()
18	Combine line 14 through line 17	18		
19	Alternative minimum tax NOL deduction. See instructions. Do not enter more than 90% of line 18	19		
20	Alternative minimum taxable income. Subtract line 19 from line 18 (if married filing separately and line 20 is more than \$155,000, see instructions)	20		

Part III Exemption Amount and Alternative Minimum Tax

21	Exemption Amount. (If this schedule is for a child under age 14, see instructions.)	<div style="display: flex; justify-content: space-between;"> <div> If your filing status is: Single or head of household Married filing joint or qualifying widow(er) Married filing separate </div> <div> And line 20 is not over: \$112,500 150,000 75,000 </div> <div> Enter on line 21: \$30,000 40,000 20,000 </div> </div>		
If line 20 is over the amount shown above for your filing status, see instructions.		21		
22	Subtract line 21 from line 20. If zero or less, enter -0- here and on line 27	22		
23	Multiply line 22 by 8.5% (.085)	23		
24	a Alternative minimum taxable income. Enter the amount from line 20	24a		
	b Itemized deductions not included in Part I. See instructions	24b		
	c Total AMT adjusted gross income. Add line 24a and line 24b and complete Part IV	24c		
	d AMT California adjusted gross income from Part IV, line 7	24d		
	e Ratio. Divide line 24d by line 24c. Enter the ratio on this line (ratio can exceed 100%)	24e		
25	Tentative minimum tax. Multiply line 23 by line 24e. If more than zero, also complete Part V	25		
26	Regular tax from Form 540NR, line 22 multiplied by the ratio from Form 540NR, line 25a. If an amount is entered on Form 540NR, line 26, see instructions	26		
27	Alternative minimum tax. Subtract line 26 from line 25. If zero or less, enter -0-. If you do not have Part V, Section D credits, also enter this amount on Form 540NR, line 44. If this schedule is for a child under age 14, see instructions	27		

• If you have entered an amount on line 27, see the **special note** on page 6 of the Schedule P (540NR) instructions.

Part IV Alternative Minimum Tax (AMT) California Adjusted Gross Income

1	California adjusted gross income from Schedule CA (540NR), line 31, column E	1		
2	Net operating loss (NOL) deduction, if any, included on Schedule CA (540NR), line 21, column E. Enter as a positive number	2		
3	Add line 1 and line 2	3		
4	Adjustments. See instructions before completing.			
a	Investment interest expense	4a		
b	Post 1986 depreciation	4b		
c	Adjusted gain or loss	4c		
d	Incentive stock options	4d		
e	Passive activities	4e		
f	Beneficiaries of estates and trusts	4f		
g	Circulation expenditures	4g		
h	Depletion	4h		
i	Depreciation (pre-1987)	4i		
j	Installment sales	4j		
k	Intangible drilling costs	4k		
l	Long-term contracts	4l		
m	Loss limitations	4m		
n	Mining costs	4n		
o	Pollution control facilities	4o		
p	Research and experimental	4p		
q	Tax shelter farm activities	4q		
r	Related adjustments	4r		
s	Add line 4a through line 4r	4s		
5	Combine line 3 and line 4s	5		
6	California AMT net operating loss deduction. Do not enter more than 90% of line 5. See instructions	6		
7	AMT California adjusted gross income. Subtract line 6 from line 5. Enter here and on Part III, line 24d	7		

Part V Credit Limitations**Section A – Tax in excess of tentative minimum tax (TMT)**

1 a	Regular tax from Part III, line 26	1a		
b	Tentative minimum tax from Part III, line 25	1b		
c	Subtract line 1b from line 1a. If less than zero, enter -0-	1c		
d	Exemption credits from Form 540NR, line 11, multiplied by \$65, multiplied by the ratio from Form 540NR, line 25a. If you were required to limit your exemption credits, see instructions	1d		
e	Enter line 1c or line 1d, whichever is smaller	1e		
f	Divide the amount on line 1e by the ratio from Form 540NR, line 25a. Enter the result here and on Form 540NR, line 23, and check the Schedule P(540NR) box	1f		
2 a	Enter the amount from Form 540NR, line 27 (use refigured amount if exemption credits are limited)	2a		
b	Tentative minimum tax from Part III, line 25	2b		
3	Subtract line 2b from line 2a. If less than zero, enter -0-	3		

Part V continues on Side 3.

Part V Credit Limitations (continued)
Section B — Credits that reduce excess tax

		(a) Credit amount	(b) Credit used this year	(c) Tax balance	(d) Credit carryover
Code	4 Enter the amount from Part V, Section A, line 3	4			
	5 Credit for joint custody head of household from Form 540NR instructions worksheet _____ x the ratio from Form 540NR, line 25a _____	5			
	6 Credit for dependent parent from Form 540NR instructions worksheet _____ x the ratio from Form 540NR, line 25a _____	6			
	7 Credit for senior head of household from Form 540NR instructions worksheet _____ x the ratio from Form 540NR, line 25a _____	7			
162	8 Prison inmate labor credit (FTB 3507)	8			
166	9 Jobs credit (FTB 3524)	9			
160	10 Low-emission vehicles credit	10			
169	11 Enterprise zone employee credit (FTB 3553)	11			
184	12 Political contributions credit carryover	12			
161	13 Young infant credit carryover (see Form 540NR instructions)	13			
171	14 Ridesharing credit: Carryover	14			
191	15 Ridesharing credit: Large employer program (FTB 3518)	15			
194	16 Ridesharing credit: Employee vanpool program (FTB 3572)	16			
182	17 Energy conservation credit carryover	17			
186	18 Residential rental and farm sales credit carryover	18			
190	19 Employer child care contributions credit (FTB 3501)	19			
174	20 Recycling equipment credit (FTB 3527)	20			
197	21 Child adoption credit	21			
	22 Enter credit name _____ code no. _____	22			
	23 Enter credit name _____ code no. _____	23			
	24 Enter credit name _____ code no. _____	24			
	25 Enter credit name _____ code no. _____	25			
176	26 Enterprise zone hiring/sales and use tax credit (FTB 3805Z)	26			
177	27 Program area hiring/sales and use tax credit (FTB 3805Z)	27			
159	28 Los Angeles Revitalization Zone hiring/sales and use tax credit (FTB 3806)	28			
180	29 Solar energy credit carryover	29			
181	30 Commercial solar energy credit carryover	30			
196	31 Commercial solar electric system credit carryover	31			
183	32 Research credit (FTB 3523)	32			
185	33 Orphan drug credit carryover	33			
172	34 Low-income housing credit (FTB 3521)	34			
188	35 Credit for prior year alternative minimum tax (FTB 3510)	35			

Section C — Credits that may reduce tax below TMT

36	If Part V, Section A, line 3 is zero, enter the amount from line 2a. If Part V, Section A, line 3 is more than zero, enter the total of line 2b and line 35, column (c)	36			
176	37 Enterprise zone hiring/sales and use tax credit from line 26, column (d)	37			
177	38 Program area hiring/sales and use tax credit from line 27, column (d)	38			
159	39 Los Angeles Revitalization Zone hiring/sales and use tax credit from line 28, column (d)	39			
180	40 Solar energy credit carryover from line 29, column (d)	40			
181	41 Commercial solar energy credit carryover from line 30, column (d)	41			
196	42 Commercial solar electric system credit carryover from line 31, column (d)	42			
183	43 Research credit from line 32, column (d)	43			
185	44 Orphan drug credit carryover from line 33, column (d)	44			
172	45 Low-income housing credit from line 34, column (d)	45			
187	46 Other state tax credit (Schedule S)	46			

Section D — Credits that may reduce AMT

47	Enter your prorated AMT from Part III, line 27	47			
48	Solar energy credit carryover from line 40, column (d)	48			
49	Commercial solar energy credit carryover from line 41, column (d)	49			
50	Adjusted AMT. Enter the balance from line 49, column (c), here and on Form 540NR, line 44.	50			

Instructions for Schedule P (540NR)

Alternative Minimum Tax and Credit Limitations — Nonresidents or Part-Year Residents

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

General Information

Purpose of Form. California tax law gives special treatment to some items of income and allows deductions and credits for some items of expense. Many individuals who benefit from these provisions must pay at least a minimum amount of tax called, the alternative minimum tax (AMT), and/or limit the amount of their credits.

Use Schedule P (540NR), Alternative Minimum Tax and Credit Limitations – Nonresidents or Part-Year Residents, to:

- compute AMT; and
- determine if any credits, including exemption credits, are limited. Most credits cannot reduce your regular tax liability below the tentative minimum tax (Schedule P (540NR), Part III, line 25.) Your credits may be limited even if you do not owe AMT, so be sure to complete all parts of Schedule P (540NR).

Who must file. Complete Schedule P (540NR) to see if AMT applies to you. Attach it to your return if:

- you have AMT; or
- you have certain credits (such as the credit for child adoption costs, etc.) that are limited by the amount shown on Part III, line 25 (or in some cases, line 27); or
- the total of Part I line 7 through line 13 is negative and you would be liable for the AMT without taking those lines into account; or
- Schedule P (540NR), Part II, line 20 is more than Part III, line 21, and you have one or more adjustments on line 4, or line 7 through line 13m; or
- you have to limit any credits you are claiming on Schedule P (540NR) Part V.

Recordkeeping. For AMT, certain items of income, deductions, etc. receive different tax treatment for regular tax. Therefore, you need to recompute items for AMT that you figured for regular tax. It may be helpful to complete the applicable tax form a second time. If you do complete a second set of forms in figuring your AMT, please clearly write "AMT schedule" on them and attach them to your return.

For regular tax, some deductions may result in carryovers to future taxable years. Examples are investment interest expense, net operating loss and capital loss. Because you may have to refigure these items for AMT, the carryover amount may be different for AMT than for regular tax. Although the carryovers that you figure for AMT do not affect the carryovers for regular tax, you must keep track of your AMT carryovers in order to complete your Schedule P (540NR) in future years.

When you must pay AMT. You may have to pay AMT if your taxable income for regular tax plus any of the adjustments and preference items that apply to you total more than:

- \$40,000 if married filing a joint return (or a qualified widow or widower);
- \$30,000 if single or head of household; or
- \$20,000 if married filing separate returns.

The adjustments and tax preference items are shown on Schedule P (540NR), Part I.

Partnerships, S Corporations, and Limited Liability Companies. If you are a partner in a partnership or a shareholder of an S corporation, or a member in a Limited Liability Company (LLC), you must include your distributive share of the partnership's or S corporation's or LLC's adjustments and tax preference items shown on your Schedule K-1 (565), for partners, Schedule K-1 (100S), for shareholders, or Schedule K-1 (568) for a member in an LLC.

If you are a beneficiary of an estate or trust, you must include your AMT adjustment shown on your Schedule K-1 (541).

Credit for prior year AMT

If you paid AMT in a prior year, you may be able to claim the credit for prior year alternative minimum tax. Get form FTB 3510, Credit for Prior Year Alternative Minimum Tax-Individuals or Fiduciaries, to see if you qualify.

Additional information

For more information, get federal Form 6251, Alternative Minimum Tax - Individuals, and federal Publication 909, Alternative Minimum Tax for Individuals.

Specific Line Instructions

Part I Adjustments and Preferences

If you itemized your deductions for California tax only and not for federal, use the amounts from the federal Schedule A (Form 1040) that you completed using California figures, when these instructions refer to Schedule A.

Line 3 – Personal and real property taxes

Enter on this line any:

- state and local personal property taxes, and
- state, local or foreign real property taxes,

included on federal Schedule A, line 6, line 7, and line 8.

Line 4 – Home mortgage interest

Include on this line home mortgage interest if the proceeds were **not** used to buy, build or substantially improve your main home or qualified dwelling that is your second home. This amount is included on federal Form 1040, Schedule A, line 10, line 11, or line 12.

Exception. If the mortgage was taken out before July 1, 1982, do not include on this line interest on the mortgage if it was secured by the property that was your main home or a qualified dwelling used by you or a member of your family at the time the mortgage was taken out.

A qualified dwelling is any house, apartment, condominium, or mobile home not used on a transient basis.

Line 5 – Miscellaneous itemized deductions

Enter the amount from federal Schedule A (1040), line 26 or federal Schedule A (1040NR), line 15 you completed using California figures.

Caution: To avoid duplication, if you include AMT adjustments or tax preferences on this line, do not include them on any other line of this schedule.

Line 6 – Refund of personal and real property taxes

Enter on this line any refund of taxes you received if:

- the taxes are those described in line 3 above;
- the taxes are attributable to a taxable year after 1986; and
- you deducted the taxes in a taxable year after 1986.

Line 7 – Investment interest expense

Enter on this line any investment interest expense adjustment. If you completed form FTB 3526, Investment Interest Expense Deduction, refigure your investment interest expense using another form FTB 3526. Complete that form as follows.

Complete line 1 through line 6. Follow form FTB 3526 instructions for line 1 through line 6, except:

- when completing line 1, add to line 1 any interest expense on Schedule P (540NR), line 4, that was paid or accrued on indebtedness properly attributable to property held for investment within the meaning of IRC Section 163(d)(5). An example is interest on a home equity loan the proceeds from which were invested in stocks or bonds. This interest

- might be deductible as home mortgage interest for the regular tax, but not for the AMT; and
- when entering your 1993 disallowed investment interest expense on line 2, use your 1993 AMT disallowed investment interest expense; and
- when completing line 4, refigure your gross investment income, any net gain from the disposition of property held for investment and any investment expenses by taking into account all of your AMT adjustments and tax preferences that apply.

Your adjustment is the difference between your AMT form FTB 3526, line 6, and your regular tax form FTB 3526, line 6. If the investment interest expense figured for AMT is more than that figured for regular tax, enter the adjustment as a negative amount.

Note: If you claimed the standard deduction instead of itemized deductions, and you had investment interest expense, do not enter an adjustment unless you reported investment interest expense on federal Schedule E. If you reported investment interest expense on federal Schedule E, follow the instructions above for completing form FTB 3526. Allocate your investment interest expense allowed on your AMT form FTB 3526, line 6, in the same way you did for regular tax. Your adjustment is the difference between the amount allowed on your AMT federal Schedule E and the amount allowed on your regular tax federal Schedule E.

Line 8 – Post-1986 Depreciation

For AMT, you must refigure your depreciation deduction using the alternative depreciation system (ADS) described in IRC Section 168(g) for tangible property placed in service after 1986. However, do not include on this line any depreciation adjustment from:

- expenses incurred as an employee that are deducted on Form 1040, Schedule A;
- an activity for which you are not at risk;
- amounts received from a partnership or S corporation if the basis limitations under IRC Section 704(d) or 1366(d) apply;
- a passive activity; or
- a tax shelter farm activity.

Instead, include these depreciation adjustments when figuring the adjustments on line 5, line 11, line 13h or line 13l, whichever applies.

For property other than real property and property for which you used the straight-line method of depreciation, use the 150% declining balance method (switching to straight-line in the first taxable year in which that method gives a better result) over the property's class life. Use the same convention you used for regular tax.

For residential rental and nonresidential real property, use the straight-line method over 40 years with the same mid-month convention you used for regular tax depreciation.

Also refigure any inventory that includes depreciation under the uniform capitalization rules using the above rules.

Grapevines that were replanted in a vineyard as a result of phylloxera infestation that are depreciated over 5 years instead of 10 years for regular tax, must be depreciated over 10 years for AMT.

For more information, refer to federal Form 6251, federal Publication 543, Depreciation, or IRC Section 168(g).

Your adjustment is the difference between your AMT depreciation and your regular tax depreciation. If your AMT depreciation is more than your regular tax depreciation, enter your adjustment as a negative amount.

Line 9 – Adjusted gain or loss

You may enter an AMT adjustment resulting from the recomputation of gain or loss from the sale or exchange of property during the taxable year, or from the recomputation of a casualty gain or loss to business or income-producing property.

If for regular tax you reported gain or loss on Schedule D, Schedule D-1 or federal Form 4684, Casualties and Theft, you must refigure your gain or loss using your AMT adjustments for

items related to post-1986 depreciation (see line 8), incentive stock options (see line 10), circulation expenditures (see line 13b), pollution control facilities (see line 13j), research and experimental expenditures (see line 13k), pre-1987 depreciation (see line 13d) and mining costs (see line 13i).

Note: Your basis in assets for AMT may be different due to AMT adjustments in prior years.

Enter on this line the difference between AMT gain or loss and regular tax gain or loss. Enter your adjustment as a negative amount if:

- the gain refigured for AMT is less than the gain figured for regular tax; or
- the loss refigured for AMT is more than the loss figured for regular tax; or
- you refigured a loss for AMT and figured a gain for regular tax.

Line 10 – Incentive stock options exercised after December 31, 1987.

For regular tax, no income is recognized when an incentive stock option (as defined in IRC Section 422(b)) is granted or exercised. Tax is deferred until the stock acquired by exercising the option is sold. However, this rule does not apply for AMT. Instead, income must be recognized and reported once the option is exercised. Therefore, you must generally include on line 10 the excess, if any, of:

- the fair market value of the option (determined without regard to any lapse restriction) at the first time your rights in the option become transferable or when these rights are no longer subject to a substantial risk of forfeiture, over
- the amount you paid for the option.

Increase your AMT basis of any stock acquired through the exercise of an incentive stock option by the amount of the AMT adjustment.

If you acquired stock by exercising an incentive stock option and you disposed of that stock in the same year, no AMT adjustment is necessary.

Line 11 – Passive activities

Caution: To avoid duplication, if you include AMT adjustments or tax preferences on this line, do not include them on any other line of this schedule.

You may want to complete a second form FTB 3801, Passive Activity Loss Limitations, and the other forms or schedules on which your passive activities are reported to figure this adjustment.

You may enter the following types of adjustments on this line:

Regular passive activities. Refigure your passive activity gains and losses for AMT by taking into account all AMT adjustments and preferences and AMT prior year unallowed losses that apply to the passive activity.

The adjustment you must enter on this line is the difference between your AMT passive activity income or loss (from activities reported on federal Schedules C, C-EZ, E, F or federal Form 4835) and your regular tax passive activity income or loss from these activities.

Publicly traded partnership (PTP). If you had losses from a PTP, you will have to refigure the loss using any AMT adjustments, tax preference items and any AMT prior year disallowed loss.

Tax shelter passive farm activities. Refigure any gain or loss from a tax shelter passive farm activity taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses. If the amount is a gain, it can be included on your AMT form FTB 3801, but if it is a loss, your adjustment for tax shelter passive farm activity is the loss you reported for regular tax. The AMT loss to carry over is the refigured AMT loss.

Note: If, at the end of the taxable year, your liabilities exceed the fair market value of your assets (insolvency), increase your passive activity loss allowed by that excess (but not more than your total loss). See IRC Section 58(c)(1).

Line 13a – Appreciated contributions

If you contributed appreciated property to a charity and deducted the fair market value (FMV) on Schedule A, then refigure your contribution deduction, including capital gain and IRC Section 1231 property, using the cost or other basis, rather than its FMV.

Do not include property for which you elected under IRC Section 170(b)(1)(C)(iii) to figure the contribution deduction using the property's adjusted basis rather than its FMV.

Enter on this line the amount by which your regular tax charitable contribution exceeds your AMT charitable contribution.

California did not conform to the federal change in treatment of contributions of appreciated property under AMT.

Line 13b – Circulation expenditures

If you elected the optional 3-year write-off period for circulation expenditures under IRC Section 59(e), skip this line.

For regular tax, IRC Section 173 allows you to deduct the full amount of circulation expenditures in the taxable year you paid or incurred them. But for AMT, you must amortize these expenditures over 3 years beginning with the year you paid or incurred the expenditures. The adjustment you must enter on this line is the difference between your AMT circulation amortization and your regular tax circulation deduction. If your AMT circulation amortization is more than your regular tax circulation deduction, enter your adjustment as a negative amount.

Line 13c – Depletion

For AMT, if the depletion deduction for mines, wells and other natural deposits determined under IRC Section 611 exceeds the adjusted basis of the property at the end of your taxable year, you have a depletion tax preference adjustment.

California conformed in 1993 to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. See federal Form 6251 and instructions. However, your California depletion costs may continue to be different from the federal amounts because of prior differences in law and different bases.

To figure your adjusted basis, use the rules in IRC Section 1016, but do not reduce the adjusted basis by current year depletion. Figure the excess amount separately for each property. Enter on this line only the depletion amount that exceeds your adjusted basis.

Line 13d – Depreciation (pre-1987)

For AMT, you must use the straight-line method to figure depreciation on property placed in service prior to January 1, 1987. Figure the depreciation separately for each property.

For 15- or 18-year real property, use the straight-line method over the same number of years using the half-year convention and no salvage value.

For low-income housing property, use the straight-line method over 15 years.

Also, for leased property you must use the straight-line method to figure depreciation for AMT. Figure the depreciation separately for each property.

For leased recovery property, other than 15- or 18-year real property, or low-income housing, figure your depreciation using the straight-line method with a half-year convention, no salvage value and the following recovery period:

5-year property	8 years
10-year property	15 years
15-year public utility property	22 years

The amount you must enter on this line is the excess of your regular tax depreciation over your AMT depreciation.

Line 13e – Installment sales

For regular tax, you may use the installment method of accounting for sales of certain property. For AMT, you may not determine income from dispositions of inventory or other property described in IRC Section 1221(1) using the installment method, except for certain disposition of timeshares or residential lots, if

you elected to pay interest under IRC Section 453(l)(2)(B), (R&TC Section 17560).

The adjustment you must enter on this line is the difference between your AMT installment sale taxable income and your regular tax installment sale taxable income. If your AMT installment sale taxable income is less than your regular tax installment sale taxable income, enter the figure as a negative amount.

If, in prior years, you used the installment method for regular tax, but were required for AMT to report the entire gain in the year of disposition, you may have adjustments with respect to those dispositions. Enter on this line the net amount of the adjustments for this year's dispositions and adjustments for prior year dispositions.

Line 13f – Intangible drilling costs

If you elected the optional 60-month write-off under IRC Section 59(e) for all property in this category, skip this line.

For AMT, intangible drilling costs (IDCs) from oil, gas and geothermal wells are preference items if the excess IDCs exceed 65% of the net income from the wells. Figure the preference tax item for oil and gas properties separately from geothermal properties. To figure excess IDCs:

- Figure the amount of your IDCs allowed for regular tax under IRC Section 263(c). Do not include any deduction for nonproductive wells. Then refigure your IDCs allowed for AMT by amortizing them over 120 months, starting with the month you placed the well in production. Then subtract your AMT IDCs from your regular tax IDCs to get your excess IDCs. You may elect to use any other method that is allowed in determining cost depletion.
- Figure net income by reducing the gross income from all oil, gas and geothermal wells that you received or accrued during the taxable year by any deductions allocable to these properties (reduced by the excess IDCs). Use only income and deductions allowed for AMT.
- Multiply the net income by 65% (.65). Subtract this figure from the excess IDCs figured in A. The result is your excess IDCs that you must enter on this line.

Exception: The preference for IDCs does not apply to taxpayers who are independent producers. However, this benefit may be limited. See the instructions for federal Form 6251.

Line 13g – Long-term contracts

For regular tax, you may have figured taxable income from your long-term contract entered into after February 28, 1986 using the completed contract method or another method.

For AMT, you must use the percentage-of-completion method rules described in IRC Section 460(b) to determine your taxable income from any long-term contract (defined in IRC Section 460(f)) you entered into after February 28, 1986. However, this rule does not apply to: (1) any home construction contract (as defined in IRC Section 460(e)(6)) you entered into after June 20, 1988, and before 1991, if you meet the 2-year estimated completion requirement of IRC Section 460(e)(1)(B)(i) and the \$10-million ceiling on average annual gross receipts requirement of IRC Section 460(e)(1)(B)(ii), or (2) any home construction contract entered into after 1990.

Note: In the case of a contract described in IRC Section 460(e)(1), use the simplified procedures for allocating costs outlined in IRC Section 460(b)(4) to determine the percentage of completion.

Enter on line 13g the difference between the income you reported for regular tax and the income you recomputed for AMT. If the income reportable for AMT is less than that reported for regular tax, enter the difference as a negative amount.

Line 13h – Loss limitations

Caution: To avoid duplication, if you include AMT adjustments or tax preference items on this line, **do not** include them on any other line of this schedule.

Do not include any passive activities on this line. Instead, use line 11. Also use line 11 for passive tax shelter farm activities. Use line 13l for nonpassive tax shelter farm activities.

For AMT, you must refigure certain limited losses using your AMT adjustments and tax preference items. Refigure your gains and losses from activities for which you are not at risk. Also, refigure your basis limitations that apply to partnerships and S corporations. Refer to IRC Sections 59(h), 465, 704(d) and 1366(d).

Enter on this line the difference between AMT limited losses (from activities reported on federal Schedules C, C-EZ, E, F or federal Form 4835) and your regular tax limited losses from these activities.

Line 13i – Mining costs

If you elected the optional 10-year write-off under IRC Section 59(e), skip this line.

For regular tax, IRC Sections 616(a) and 617(a) allow you to deduct mining exploration and development costs in the taxable year you paid or incurred them. For AMT, you must capitalize your costs and amortize them ratably over 10 years beginning with the taxable year you paid or incurred the expenditures. The adjustment you must enter on this line is the difference between your AMT mining amortization and your regular tax mining deduction. If your AMT mining amortization is more than your regular tax mining deduction, enter your adjustment as a negative amount.

See IRC Section 56(a)(2)(B) for special rules that apply to losses related to mining property.

Line 13j – Pollution control facilities

For regular tax, you may elect to amortize the basis of a certified pollution control facility over 60 months. For AMT, you must figure depreciation under the alternative depreciation system (ADS) described in IRC Section 168(g). Use the federal Class Life Asset Depreciation Range System (ADR) under the straight-line method.

The adjustment you must enter on this line is the difference between your AMT pollution control facilities depreciation and your regular tax pollution control facilities amortization. If your AMT pollution control facilities depreciation is more than your regular tax pollution control facilities amortization, enter the adjustment as a negative amount.

Line 13k – Research and experimental expenditures

If you elected the optional 10-year write-off period for research and experimental expenditures under IRC Section 59(e), skip this line.

For regular tax, IRC Section 174(a) allows you to deduct your research and experimental expenditures in the taxable year you paid or incurred them. If you deducted them in the year incurred, you must amortize these expenditures over 10 years for AMT. Figure the adjustment you must enter on this line the same as for circulation expenditures above.

See IRC Section 56(b)(2)(B) for special rules that apply to losses related to circulation or research property.

Line 13l – Tax shelter farm activities

Caution: To avoid duplication, if you include AMT adjustments or tax preference items on this line, do not include them on any other line of this schedule.

Complete this line only if you have a gain or loss from a tax shelter farm activity (as defined in IRC Section 58(a)(2)) that is **not** a passive activity. If the tax shelter farm activity **is** a passive activity, you must include the gain or loss with your other passive activities on line 11.

Refigure all gains and losses you reported for regular tax from tax shelter farm activities using your AMT adjustments and tax preference items.

Figure your tax shelter farm activity gain or loss for AMT using the same rules you used for regular tax except:

- do not take any recomputed loss unless you are insolvent (see IRC Section 58(c)(1)); and
- do not offset gains with your recomputed loss.

Instead, you must suspend and carry over to future taxable years your loss until you:

- have a gain in a future taxable year from that same tax shelter farm activity; or
- dispose of the activity.

Enter on this line the difference between the amount that would be reported for the activity on federal Schedule E, for Form 4835 for AMT and the amount that was reported for the activity for regular tax.

Line 13m – Related adjustments

If you were required to make an adjustment to the following items for federal AMT because of alternative tax adjusted gross income (ATAGI) enter on line 13m the same amounts you recomputed for federal purposes:

- IRA deductions (Form 1040, line 24a and line 24b;
- Charitable contributions (Form 1040, Schedule A, line 18);
- Personal casualty or theft losses (federal Form 4684, line 18.

Also include adjustments on line 13m for any other items that are affected by adjustments and preferences, such as the IRC Section 179 expense deduction, the self-employed health deduction, etc.

To calculate your ATAGI for California, complete the following worksheet.

1. Enter the amount from Form 540NR, line 17 _____
2. Enter the amount from Schedule P, Part I, line 6. (_____)
3. If you deducted investment interest on federal Schedule E, enter the part of the adjustment on Schedule P, Part I, line 7, that is allocable to Schedule E _____
4. Combine line 8 through line 12, line 13b through line 13l, and line 16 of Schedule P, (540NR). _____
5. Figure the adjustments for line 13m that affect AGI and enter the total of those adjustments (do not include an adjustment for the item for which you are completing this worksheet). _____
6. Enter the amount, if any, from Schedule P, Part II, line 19 (_____)
7. **ATAGI.** Combine line 1 through line 6. _____

Combine the amounts for all your related adjustments and enter the net result on line 13m. Keep a copy of all computations for your records, including any carryovers and basis computations.

Part II Alternative Minimum Taxable Income

Line 15 – Taxable income. Enter on this line the amount from Form 540NR, line 19. If Form 540NR, line 19 is zero, subtract Form 540NR, line 18, from Form 540NR, line 17, and enter the result as a negative amount.

Line 17 – Itemized deductions limitation

If you were required to limit your itemized deductions based on your federal AGI, enter the amount from line 9 of the worksheet in the instructions for Schedule CA (540NR), line 38.

Line 19 – Alternative tax net operating loss deduction (ATNOLD)

For loss years beginning after 1986, reduce any net operating loss (NOL) from a year after 1986, by any positive AMT adjustments in that year. Increase the NOL by negative adjustments. Also, reduce the NOL by any tax preference items, but only to the extent they increase the NOL you figured for regular tax.

For loss years beginning before 1987, refigure your alternative minimum tax NOL deduction using the rules in IRC Section 56(d)(2)(B).

Your ATNOLD may be limited. To compute the ATNOLD limitation, you must first figure your AMTI without regard to the ATNOLD. To do this, use a second Schedule P (540NR) as a worksheet. Complete the form through line 18, but when figuring line 2, line 11, and line 13m, treat line 19 as if it were zero. Multiply line 18 of the second Schedule P (540NR) used as a worksheet by 90%. This is your ATNOLD limitation. Enter on line 19 the smaller of the ATNOLD or the ATNOLD limitation. Any ATNOLD not used because of the ATNOLD can be carried forward. The treatment of your NOL for AMT does not affect the amount of your NOL for regular tax.

Line 20 – Alternative minimum taxable income (AMTI)

Married taxpayers filing separate returns must complete the worksheet below if line 20 is more than \$155,000.

1. Enter the amount from Schedule P (540NR), Part II, line 20
2. Maximum exemption amount \$155,000
3. Subtract line 2 from line 1
4. Multiply line 3 by 25% (.25)
5. Enter the smaller of line 4 or \$20,000
6. Add line 1 and line 5. Enter the result here and replace the amount on Schedule P (540NR), Part II, line 20, with this amount

Part III Exemption Amount and AMT

Line 21 – Exemption amount

If you are completing this Schedule P (540NR) for a child who was under age 14 on January 1, 1995, or line 20 is equal to or more than the amount shown for your filing status on line 21, use the worksheet on the right to figure the amount to enter on line 21.

If this Schedule P (540NR) is not for a child under age 14, go to the worksheet now. Otherwise, when an amount is asked for in the worksheet from the parent's return, see below for which return to use. Before completing this worksheet, Schedule P (540NR) must be completed through line 20 for the return of the parent and each of the parent's other children who were under age 14 on January 1, 1995.

Which parent's return to use. If the child's parents were married to each other and filed a joint return, enter amounts from the joint return. If the parents filed separate returns, enter amounts from the return of the parent who had the higher taxable income. If the parents were unmarried, treated as unmarried or separated by a divorce or separate maintenance decree, enter the amounts from the return of the parent who had custody of the child for most of the year (the custodial parent), even if the custodial parent married and filed a joint return with their new spouse.

Exception: If the custodial parent and their new spouse filed separate returns, enter the amounts from the return of the person with the higher taxable income, even if that person is not the child's parent.

Exemption Worksheet Note: If line 20 (AMTI) is equal to or more than \$232,500 (\$310,000 if married filing joint or qualifying widow(er), \$155,000 if married filing separately), your exemption is zero; enter -0- on line 22 and do not complete this worksheet.

1. Enter \$30,000 (\$40,000 if married filing joint or qualifying widow(er), \$20,000 if married filing separate)
2. Enter your AMTI from Schedule P (540NR), Part II, line 20
3. Enter \$112,500 (\$150,000 if married filing joint or qualifying widow(er), \$75,000 if married filing separate)

4. Subtract line 3 from line 2. If zero or less, enter -0-
5. Multiply line 4 by 25% (.25)
6. Subtract line 5 from line 1. If zero or less, enter -0-. If this schedule is for a child under age 14, go to line 7. Otherwise, enter this amount on Schedule P (540NR), Part III, line 21 and complete Schedule P (540NR)
7. Enter the exemption from the parent's Schedule P (540NR), Part III, line 21
8. Enter the AMTI from Schedule(s) P (540NR), Part II, line 20
9. Subtract line 8 from line 7. If zero or less, enter -0- on line 14 below and go on to line 15
10. Enter the child's AMTI from Schedule P (540NR), Part II, line 20
11. Enter the total AMTI from Schedule(s) P (540NR), Part II, line 20 of the parent's other children under age 14
12. Add line 10 and line 11
13. Divide line 10 by line 12 and enter the result as a decimal (rounded to two places)
14. Multiply line 9 by line 13. If more than \$1,000, write "C" on the dotted line to the left of the entry space for Schedule P (540NR) Part III, line 21
15. Enter the greater of \$1,000 or the amount on line 14
16. Enter the child's earned income, if any. Refer to federal Form 6251 instructions for more information.
17. Add line 15 and line 16
18. Enter the smaller of line 6 or line 17 here and on Schedule P (540NR), Part III, line 21

Line 24b – Itemized deductions not included on Part I

Complete the following worksheet only if you claimed itemized deductions on your Form 540NR.

- A. Enter your itemized deductions from Schedule CA, line 37
- B. Enter the total of Schedule P (540NR), Part I, Section A, line 2 through line 7 and line 13a
- C. Subtract line B from line A. Enter here and on Schedule P (540NR), Part III, line 24b

Line 26 – Regular tax before credits

Enter on this line your regular tax from Form 540NR, line 22, multiplied by the ratio from Form 540NR, line 25a, plus any tax from form FTB 5870A, Tax on Accumulation Distribution of Trusts, included on Form 540NR, line 26.

Note: Do not include tax from Schedule G-1, Tax on Lump-Sum Distributions, entered on Form 540NR, line 26. For installment obligations subject to IRC Sections 453(l)(2)(B) (Timeshares and Residential Lots) and 453A (Nondealer dispositions greater than \$150,000), do not include tax increases for interest on the deferred tax liability.

Line 27 – If you are completing this schedule for a child who was under age 14 on January 1, 1995, (you completed the line 21 worksheet) and line 25 is more than line 26, get form FTB 3536, Limit on Alternative Minimum Tax for Children Under Age 14. Using form FTB 3536 may reduce or eliminate the child's AMT if:

- the child's parent has regular tax that is more than the parent's tentative minimum tax (line 26 is more than line 25 on the parent's Schedule P (540NR)); or
- the parent has another child who was under age 14 on January 1, 1995, and that child's regular tax is more than that child's tentative minimum tax.

Part IV

Alternative Minimum Tax (AMT) California Adjusted Gross Income. Use Part IV of Schedule P (540NR) to figure AMT California adjusted gross income. The adjustments in this part apply only to items of income and deductions shown on Schedule CA (540NR), California Adjustments - Nonresident or Part-Year Resident, Part II, column E.

Line 4 – Adjustments and Preference Items

Follow the instructions for Part I, line 7 through line 13m. Enter the appropriate amounts on Part IV, line 4a through line 4g.

Line 6 – California AMT net operating loss deduction

Follow the instructions for Part I, line 19. Enter the appropriate amount on Part IV, line 6, but not more than 90% of the amount on Part IV, line 5.

Part V Credit Limitations

Reminder: You should have figured the amount of your credits using the appropriate credit form. You must attach to your return the appropriate credit form to claim tax credits. For more information about credits, see the instructions for Form 540NR.

Important: You must claim credits in the order listed in Part V. To claim any of the following credits and codes:

- employer subsidized rapid transit passes (193); or
- water conservation credit carryover (178); or
- solar pump credit carryover (farmers only) (179); or
- employer child care program credit (189); or
- agricultural products credit carryover (175); or
- small employer ridesharing program (192);

enter the credit name, code number and amount on line 22, line 23, line 24, or line 25.

Special Note – If you have AMT this year, you may not claim the exemption credits from Part V, Section A. In some cases you may be able to carry over a portion of the credits from Part V, Section B, to reduce future years' tax, or use these credits to reduce your tax this year. See Part V, Section B and Section C for more information.

Section A – Tax in excess of tentative minimum tax

Certain credits may reduce your tax down to but not below your tentative minimum tax. The calculation in Section A will result in the amount of tax that you may reduce using the credits in Section B.

Line 1d – Exemption Credits

If the amount on Schedule P (540NR), Part III, line 27, is more than zero, enter -0-. You do not receive exemption credits.

If you were required to limit your exemption credits on Form 540NR, enter the limited amount of exemption credits from line h of Worksheet I – Exemption Credit Limitation in the instructions for line 23 multiplied by the ratio on Form 540NR, line 25a.

If the amount on Schedule P (540NR), Part III, line 27, is zero and your exemption credits are not limited, multiply the total number of exemptions claimed on Form 540NR, line 11 by \$65.

Section B – Credits that reduce excess tax

You may use these credits to reduce your regular tax down to, but not below your tentative minimum tax. You may be able to, if applicable, use them in Section C or carry them over to future years. The credits that do not have shading in column (d) can be used in Section C or carried over to future years, if applicable, after reducing your excess tax down to your tentative minimum tax.

Column (a): enter the total amount of the credit available from the appropriate form or schedule.

Column (b): enter the smaller of: (1) the amount in column (a) or (2) the amount in column (c) from the previous line. **Note:** The amount in column (b) may not be larger than the amount in column (a).

Column (c): subtract the amount in column (b) from the balance on the previous line in column (c) and enter the result here.

Column (d): subtract the amount in column (b) from the amount in column (a), if applicable. This is the amount you may use in Section C and Section D or carry over to future years.

Example:

(a) Credit amount	(b) Credit used this year	(c) Tax balance	(d) Credit carryover
		\$5,000	
\$ 500	\$ 500	4,500	\$ 0
0	0	4,500	0
6,000	4,500	0	1,500
200	0	0	200

Section C – Credits that may reduce regular tax below TMT

You may use these credits to reduce your regular tax below your tentative minimum tax. And you may carry over to future taxable years any credits remaining after reducing your tax to zero.

Figure your credit and carryover amount the same as you did in Section B.

Section D – Credits that may reduce AMT

If you have AMT and you have any remaining commercial solar energy credit carryover or solar energy credit carryover after reducing your tax to zero, you may reduce your AMT by these credits and you may carry over to future taxable years any credits remaining after reducing the AMT to zero.

Figure your credit and carryover amount the same as you did in Section B.

How to Claim Your Credits

Claim your credits by transferring them to Form 540NR as follows.

Credits on line 5 through line 7 — Add the amounts from column (b) of line 5 through line 7, and enter the total on Form 540NR, line 36. Write "Schedule P (540NR)" to the left of Form 540NR, line 36. Do not complete Form 540NR, line 29 through line 35.

Credits on line 9 through line 46 — If you claim only one, two or three credits, enter the name, code number and amount of the credit from column (b) on Form 540NR, line 7, line 38 and/or line 39. To claim credits that are listed once in Section B and again in Section C (credit codes 176, 177, 159, 180, 181, 196, 183, 185 and 172), total column (b) of the credits that have the same code numbers. Then enter the name, code number and amount of the credit on Form 540NR, line 37, line 38 and/or line 39.

If you have any other credits to claim, add column (b) for those credits. Enter the total on Form 540NR, line 40.